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E.O. 11652: N/A

TAGS: ECON UR

SUBJECT: 1973 PLAN RESULTS IN INDUSTRY

PASS COMMERCE/BEWT AND TREASURY

1. SUMMARY. CENTRAL PRESS JAN 26 CARRIES CENTRAL STATISTICAL ADMINISTRATION'S 1973 ECONOMIC PLAN RESULTS, WHICH REVEAL, IN GENERAL, FULFILLMENT OF REDUCED TARGETS ANNOUNCED AT DECEMBER 1972 SUPREME SOVIET SESSION, BUT UNDERFULFILLMENT OF GOALS FOR 1973 SET WITHIN FRAMEWORK OF NINTH FIVE-YEAR PLAN.

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CERTAIN KEY AREAS OF INDUSTRY--NOTABLY OIL AND GAS PRODUCTION--

FAILED TO MEET EVEN REDUCED GROWTH RATE SET FOR 1973. EXACT REDUCED TARGET FOR INDUSTRIAL LABOR PRODUCTIVITY GROWTH IN 1973 NEVER ANNOUNCED, BUT ACTUAL RESULT (6.0 PERCENT) WELL BELOW 1973 GOAL WITHIN FIVE-YEAR PLAN. CONSUMER WELFARE WAS A MIXED BAG, WITH 1973 RESULTS IN MOST AREAS GENERALLY ABOVE THE REDUCED TARGETS SET FOR LAST YEAR, BUT BELOW FIVE-YEAR PLAN GOALS FOR 1973. INDICES OF GROWTH IN NATIONAL INCOME AND CAPITAL INVESTMENTS EASILY EXCEEDED REDUCED TARGETS, BUT AGAIN WERE BELOW (AND, IN CASE OF CAPITAL INVESTMENTS, FAR BELOW) 1973 GOALS WITHIN FIVE-YEAR PLAN. FOREIGN TRADE SHOWED WHOPPING 16.4 PERCENT INCREASE IN 1973 OVER 1972, MAINLY DUE TO INCREASED TIES WITH WESTERN COUNTRIES (IN FIRST INSTANCE AS RESULT OF GRAIN DELIVERS FROM US). END SUMMARY

2. FOLLOWING SELECTED ANNUAL PRODUCTION STATISTICS, WITH PERCENTAGE COMPARISON TO 1972, ARE TRANSMITTED IN ACCORD WITH AGREEMENT WITH OFFICE OF ECONOMIC RESEARCH:

ELECTRICAL ENERGY: 915 BILLION KWT; 107
OIL: 421 MILLION TONS; 107
GAS: 236 BILLION CUBIC METERS; 107
COAL: 668 MILLION TONS; 102
(OF WHICH COKING COAL; 173 MILLION TONS; 102)
PIG IRON: 95.9 MILLION TONS; 104
STEEL: 131 MILLION TONS; 105
ROLLED METAL: 104 MILLION TONS; 105
(OF WHICH FINISHED METAL: 91.4 MILLION TONS; 104)
MINERAL FERTILIZERS (IN CONVENTIONAL UNITS):
72.3 MILLION TONS; 109
PLASTICS AND SYNTHETIC RESINS: 2.3 MILLION TONS; 114
CHEMICAL FIBERS: 830 THOUSAND TONS; 111
METAL-CUTTING MACHINE TOOLS: 211 THOUSAND UNITS; 100.1
(1,256 MILLION RUBLES; 110)
FORGE-PRESS MACHINES: 46.5 THOUSAND UNITS; 106
(330 MILLION RUBLES; 112)
INSTRUMENTS, MEANS OF AUTOMATION AND RELATED SPARE
PARTS: 3.3 BILLION RUBLES; 114)
COMPUTER EQUIPMENT AND RELATED SPARE PARTS: 1.6
BILLION RUBLES; 133
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OIL APPARATUS: 159 THOUSAND TONS; 101
CHEMICAL EQUIPMENT AND SPARE PARTS: 632 MILLION RUBLES; 112
MAINLINE RAIL FREIGHT CARS: 71.8 THOUSAND UNITS; 104
AUTOMOBILES--TOTAL: 1,602 THOUSAND UNITS; 116
(OF WHICH TRUCKS: 629 THOUSAND UNITS; 105
PASSENGER CARS; 917 THOUSAND UNITS; 126
BUSES; 56 THOUSAND UNITS; 108
TRACTORS: 500 THOUSAND UNITS; 105

AGRICULTURAL MACHINES: 2,971 MILLION RUBLES; 114
GRAIN-HARVESTING COMBINES; 84.8 THOUSAND UNITS; 89
PAPER: 4.9 MILLION TONS; 106
CEMENT: 109.5 MILLION TONS; 105
COTTON TEXTILES: 6,577 MILLION SQUARE METERS; 102
LEATHER FOOTWEAR: 667 MILLION PAIRS; 103
MEAT: 13.5 MILLION TONS; 99
BUTTER: 1.2 MILLION TONS; 115
CANNED FOODS: 13 BILLION CANS; 107
TELEVISION SETS: 6.3 MILLION SETS; 105
REFRIGERATORS: 5.4 MILLION UNITS; 108
WASHING MACHINES: 3 MILLION UNITS; 99.5
FURNITURE: 3.7 BILLION RUBLES; 110

3. HEAVY INDUSTRY: 1973 RESULTS IN HEAVY INDUSTRY WERE MIXED AT BEST. OUTPUT IN SEVERAL KEY SECTORS (E.G., STEEL, ROLLED METAL, MINERAL FERTILIZERS, COMPUTERS) MATCHED YARDSTICK OF PERFORMANCE SET FOR 1973 UNDER FIVE-YEAR PLAN UMBRELLA. ALMOST ALL OTHER DID NOT COME UP TO THEIR EXPECTED 1973 LEVEL WITHIN THAT FRAMEWORK, ALTHOUGH REDUCED 1973 PLAN--ANNOUNCED AT DECEMBER 1972 SESSION OF SUPREME SOVIET--WAS GENERALLY FULFILLED. EVEN REDUCED PLAN GOALS, HOWEVER, WERE NOT ACHIEVED IN IMPORTANT AREAS OF OIL AND GAS PRODUCTION GROWTH, AND IN TRANSPORTATION OF OIL THROUGH PIPELINES. OTHER SECTORS FALLING BEHIND REDUCED 1973 GOALS WERE PIG IRON, ROLLED FERROUS METALS, CAUSTIC SODA, TURBINES, OIL APPARATUS, CHEMICAL EQUIPMENT AND SPARE PARTS, GRAIN COMBINES AND LUMBER, AS WELL AS VARIOUS TYPES OF PAPER PRODUCTS, CELLULOSE, PAPER BOARD, KNITTED GOODS, LEATHER FOOTWEAR, WASHING MACHINES, AND SEVERL OTHER CATEGORIES OF PRODUCTS, ADMITTING THAT PRODUCTIO IS UNEVEN IN QUANTITY AND QUALITY, REPORT NOTES, TOO, THAT MANY ENTERPRISES ARE NOT OPERATING AT CAPACITY, THA THERE ARE INSTANCES OF INEFFICIENCY IN WORK FLOWS AND WASTE OF RAW MATERIALS.
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STATING FLATLY THAT IN A SERIES OF NEWLY-INTRODUCED PRO-
CEDURES THE PROJECTED LEVEL OF PRODUCTIVITY, THE COST GOALS
AND OUTPUT ARE BEHIND SCHEDULE, REPORT COMMENTS THAT NUMBER
OF ENTERPRISS ATTACHED TO MINISTRIES AND OTHER AGENCIES HAVE
NOT FULFILLED GOALS IN RESEARCH AND TECHNOLOGY. (SEE MOSCOW'S
A-28 OF 1/27/74 FOR DISCUSSION OF PROBLEMS RELATED TO
CREATION OF INDUSTRIAL PRODUCTION ASSOCIATIONS.)

4. LABOR PRODUCTIVITY: LABOR CONTINUES TO BE CONSIDERABLY
LESS PRODUCTIVE THAN "MANAGEMENT" WOULD WISH. FOR EXAMPLE,
INDUSTRIAL LABOR PRODUCTIVITY FOR 1973 WITIN FIVE-YEAR PLAN
WAS TO INCREASE BY 6.5 PERCENT OVER 1972. IN FACT, IT
INCREASED BY 6.0 PERCENT. IN CONSTRUCTION, THE 1973 GOAL WAS
ALSO 6.5 PERCENT; THE RESULT--4.3 PERCENT. ON OTHER HAND,
LABOR PRODUCTIVITY IN RAILROAD TRANSPORT ROSE BY 6.1 PERCENT,

AGAINST A PLANNED 4.3 PERCENT RISE OVER 1972.

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5. CONSUMER WELFARE: IN GENERAL, GROUP B PRODUCTION GREW BY 5.9 PERCENT IN 1973, THUS OVERFULFILLING REDUCED 1973 TARGET OF 4.5 PERCENT BUT LAGGING FAR BEHIND FIVE-YEAR PLAN GOAL FOR THAT YEAR OF 8.1 PERCENT GROWTH OVER 1972. BEST PERFORMANCE IN THIS SECTOR SHOWN BY LIGHT INDUSTRY (UP 8.0 PERCENT OVER 1972 VERSUS INITIAL 1973 TARGET OF 6.7 PERCENT AND REDUCED GOAL OF 4.0 PERCENT), AND BY FOOD INDUSTRY (WITH INCREASED PRODUCTION OF 4.0 PERCENT INSTEAD OF EARLIER-PLANNED 1973

TARGET OF 5.7 PERCENT AND REDUCED GOAL OF 2.0 PERCENT).
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AS INDICATED IN PARAGRAPH 3, CERTAIN INDIVIDUAL AREAS OF GROUP B DID NOT, HOWEVER, FULFILL 1973 GOALS (EITHER INITIAL OR REDUCED). FURTHER, MEAT PRODUCTION--A CHRONICALLY AILING SECTOR--SHOWED REDUCTION IN 1973 OUTPUT BELOW 1972 LEVEL.

6. NEITHER AVERAGE MONTHLY WAGES NOR PER CAPITA REAL INCOME ROSE IN 1973 ACCORDING TO PLAN EXPECTATIONS. AVERAGE WAGES INCREASED BY 3.7 PERCENT OVER 1972, TO 135 RUBLES PER MONTHS, AS OPPOSED TO 5.7 PERCENT INCREASE SLATED FOR 1973 WITHIN FIVE-YEAR PLAN. REAL PER CAPITA INCOME ROSE BY 5.0 PERCENT INSTEAD OF PLANNED 5.7 PERCENT. MINIMUM WAGE OF 70 RUBLES PER MONTH FOUND WIDER GEOGRAPHIC APPLICATION IN 1973, BUT STILL HAS NOT BEEN ACCOMPLISHED COUNTRY-WIDE.

7. DOMESTIC RETAIL TRADE IN 1973 AMOUNTED TO 184.2 BILLION RUBLES, AN INCREASE OF 5.3 PERCENT OVER 1972 (AS OPPOSED TO 7.6 PERCENT IN PLAN). AT SAME TIME, REPORT ACKNOWLEDGES THAT GROWING DEMAND OF POPULATION FOR CERTAIN GOODS STILL OUTSTRIPS SUPPLY. WE NOTE, HOWEVER, THAT TELEVISION SET SALES ACTUALLY DECREASED DURING 1973, ALTHOUGH PRODUCTION GREW BY 5 PERCENT OVER 1972. PRODUCTION OF MANY OTHER ITEMS, INCLUDING WATCHES, FURNITURE, WASHING MACHINES, SYNTHETIC DETERGENTS, AND PORCELAIN OUTSTRIPPED THEIR SALE IN RETAIL TRADE, INDICATING CONTINUING PROBLEMS FOR ECONOMY BOTH IN TURNING OVER LOW-QUALITY GOODS AND IN PRODUCING SUFFICIENT DEFICIT ITEMS TO INDUCE SOVIET CONSUMERS TO BUY. SAVINGS BANK HOLDING ROSE BY 7.9 BILLION RUBLES DURING THE YEAR.

8. CAPITAL INVESTMENTS INCREASED IN 1973 BY DISAPPOINTING 4.0 PERCENT, AGAINST PLANNED 9.1 PERCENT FOR YEAR. DWELLING CONSTRUCTION ALSO REVEALED SHARP SHORTFALL IN 1973, WITH TOTAL OF 109 MILLION SQUARE METERS OF LIVING SPACE FOR ALL SOURCES COMPLETED DURING YEAR, AS OPPOSED TO 115.3 MILLION PLANNED.

9. FOREIGN TRADE: WHILE WE HAVE NO SPECIFIC STATISTICS AVAILABLE SHOWING PLANNED RATE OF INCREASE FOR FOREIGN TRADE IN 1973, OVERALL FIVE-YEAR PLAN PERIOD ENVISAGES GROWTH IN THIS AREA OF 33-35 PERCENT, MAINLY ON BASIS OF WIDENING TRADE WITH CEMA COUNTRIES. MOST SOURCES USUALLY LIST 2/3 AS PROPORTION OF TOTAL SOVIET TRADE TURNOVER DEVOTED TO
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THESE EE COUNTRIES. THUS, TRADE IN 1973 IS STRIKING IN THAT: A) IT SHOWS 16.4 PERCENT GROWTH OVER 1972; AND B) OF 30.3 BILLION RUBLE TRADE TURNOVER, ONLY 16.5 BILLION RUBLES OR SLIGHTLY OVER HALF, WAS WITH CEMA COUNTRIES. THIS SITUATION CAN GENERALLY BE ATTRIBUTED TO GREATLY INCREASED PURCHASES FROM INDUSTRIALIZED WEST, AND, IN PARTICULAR, TO 1973 DELIVERIES OF MASSIVE 1972 GRAIN PURCHASES FROM US.

10. COMMENT: 1973 PLAN RESULTS IN INDUSTRY REVEAL CONTINUING GLARING WEAKNESSES IN SOVIET ECONOMIC STRUCTURE. LABOR PRODUCTIVITY, FOR EXAMPLE, CONTINUES TO DEFY EFFORTS AT PLANNED IMPROVEMENT. MORE TELLING, PERHAPS, IS FACT THAT LOWEST LEVEL OF INCREASE IN LABOR PRODUCTIVITY REGISTERED IN CONSTRUCTION, WHERE BASIC RELUCTANCE OF WORKERS TO LABOR HARDER AND MORE EFFECTIVELY IS MORE DIFFICULT TO MASK THAN IN INDUSTRY WHERE HIGH-TECHNOLOGY MACHINERY AND INSTRUMENTATION INCREASES PRODUCTIVITY LARGELY IRRESPECTIVE OF INITIATIVE OR DESIRE OF INDIVIDUAL WORKERS. THIS, IN TURN, FINDS ITS REFLECTION IN POOR DOMESTIC TRADE TURNOVER, IN THAT WORKERS, IN SPITE OF "MATERIAL" AS WELL AS "MORAL" INCENTIVES TO INCREASE PRODUCTIVITY, FAIL TO DO SO BECAUSE THE GOODS THEY WANT TO BUY ARE UNAVAILABLE, WHILE GOODS WHICH ARE AVAILABLE ARE-- BY AND LARGE--THOSE WHICH AVERAGE WORKER DOES NOT WANT.

11. MOST BASIC WEAKNESS REVEALED BY LATEST RESULTS DOCUMENT IS FACT THAT ECONOMIC PLANNING, WHICH IS SUPPOSED TO BE TAUT (NAPRYAZHYONNIY) REMAINS LESS THAN FULLY EFFECTIVE, WITH RESULT THAT 1973 PLAN WAS BASICALLY FULFILLED (OR EVEN OVERFULFILLED) DUE TO REDUCED PERFORMANCE INDICES. THUS, INDIVIDUALLY EVERYONE IS HAPPY (BONUSES, PROMOTIONS, ETC., CAME THROUGH AS SCHEDULED) BUT COLLECTIVELY EVERYONE IS UNHAPPY DUE TO RESULTS OF ECONOMIC SLUGGISHNESS BROUGHT ON BY THIS PRACTICE. THE 1974 PLAN GIVES NO EVIDENCE OF BEING ANY DIFFERENT IN THIS RESPECT. DUBS

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